

MEMORANDUM FOR: The Director

This Memorandum was concurred in by
OCI and the WH Division.

ABBOT SMITH
Director
National Estimates

Attachment:
MEMORANDUM FOR THE DIRECTOR,
"Panama -- In the Eye of the
Hurricane?"

26 April 68
(DATE)

FORM NO. 101 REPLACES FORM 10-101
1 AUG 54 WHICH MAY BE USED.

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MORI/CDF Pages 2 thru 5

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*Forwarded
Staff Memo*

CENTRAL INTELLIGENCE AGENCY

OFFICE OF NATIONAL ESTIMATES

25 April 1968

MEMORANDUM FOR THE DIRECTOR

SUBJECT: Panama -- In the Eye of the Hurricane?

1. Over the last two or three weeks the crisis level in Panamanian politics has subsided. Arnulfo Arias and David Samudio, the candidates of the opposing camps, are now concentrating on campaigning for the presidential election of 12 May. The effort to remove President Robles has cooled down since the Supreme Court provided a de jure veto of the action of the National Assembly in approving impeachment charges against him. This legalistic maneuver topped off the de facto veto already applied by the National Guard in its decision to support Robles rather than the legislature.

2. There is a tendency now to accept the inevitability of a victory by Samudio since the Robles administration controls the election machinery and is determined to prevent Arias from

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coming to power. Robles himself won out over Arias in 1964 with official support in manipulating the election returns. And since the deck is obviously being stacked again, some observers in Panama expect that some of the oligarchs now supporting Arias will cut and run to protect their interests under a Samudio government.

3. The scenario may work out in this manner and the manipulation of the election machinery may be so smoothly handled as to leave scant evidence that the returns were rigged. But we do not think that this is necessarily the case and we suggest that storm warnings be kept hoisted for Panama.

4. In the first place, those oligarchs who turned reluctantly to Arias must have few illusions as to what they can expect from Samudio. He rose to prominence on ability, not on family connections. As Finance Minister under Robles he devised a program of tax reform which was more progressive than either Robles or the National Assembly was willing to adopt. We feel that he is more likely than Arias to try and carry out a real reform program, including taxation of virtually tax-free monopolies held by various oligarchs. Furthermore, this time the number of votes that will have to be juggled is

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likely to be considerably larger than was the case in 1964. And this time the election will be very carefully scrutinized by a swarm of US newspapermen and other observers -- even if President Robles continues to refuse to request the Organization of American States to send observers. Finally, the perennially optimistic Robles has been buoyed up by his success in overriding impeachment by the National Assembly and may miscalculate just how much he can get away with on 12 May.

5. There is one very large gap in our information. For a long time American officials were not in contact with Arias and recent meetings with him have not provided a clear reading of how he would react to being defrauded yet another time. We believe, however, that Arias would not stand still for it and that Panama is in for stormy political weather after 12 May.

6. Thus we are not in agreement with the argument that because Arias has aligned his Panamenistas with a part of the oligarchy, and could arouse little support for removing Robles, he can no longer arouse his popular following to challenge a rigged election. While we would agree that under most circumstances the National Guard could control such a reaction, we

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are concerned that its leaders may be tempted to settle some old scores with Arias and overreact to such a challenge, thereby setting off a larger struggle. If this occurs, US interests in Panama are likely to be adversely affected regardless of which side wins.

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FOR THE BOARD OF NATIONAL ESTIMATES:



Chairman

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